

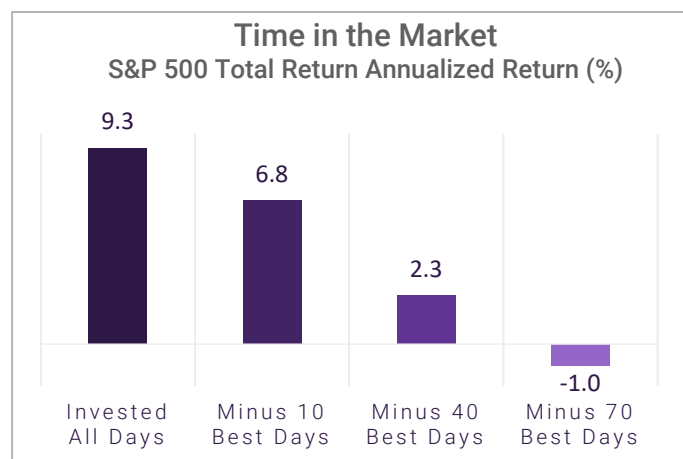
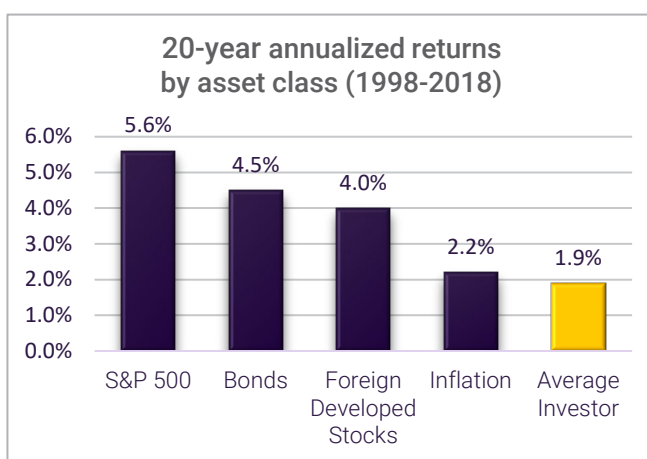
# Stay the Course — Target Date Funds



A Target Date Fund (TDF) invests in a mix of mutual funds based on a projected retirement date. As you move toward your retirement target date, the fund gradually reduces risk by changing the investments within the fund. Target Date Funds were first introduced in the early 1990s by Barclays Global Investors. In 2002, there were less than 10 mutual fund TDF suites available. By the end of 2018, TDF mutual fund options totaled 63 suites with combined assets of \$1.1 trillion. There are benefits to Target Date Fund investing that hold true through different market conditions.

## Poor market timing can hurt investors

Volatility in the market can test even the coolest heads. When the markets are down, you may be concerned about limiting your losses. And, when the market is up, you may wish we had invested more. We all sometimes have a fear of missing out, or “FOMO”. However, succumbing to fear is often a losing strategy. More times than not, investors with this mindset tend to buy high and sell low.



## Missing a few days in the stock market can be costly

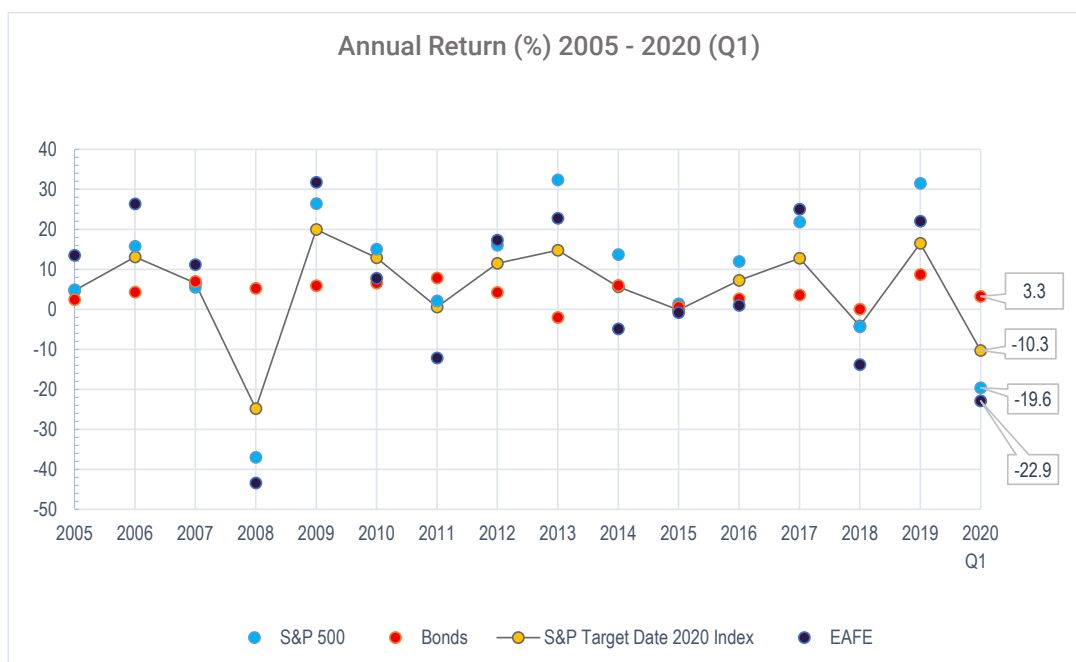
Historically, some of the largest single day gains have been within one month of single day losses. The first quarter of 2020 gave us a fresh example of this and a reminder to stay the course. **On March 16th 2020, the S&P 500 had its largest single day drop of 11.98% since 1987. That day was closely followed by the 9th largest gain ever in a single day on March 24th 2020 of 9.39%.** This chart shows how the annual return of stocks would have been affected by missing the market's top-performing days.

20 year annualized returns by asset class: Bonds: Bloomberg Barclays U.S. Aggregate Index; Inflation: CPI; Foreign Developed Stocks: MSCI EAFE Index; Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/18 to match Dalbar's most recent analysis.

Time in the Market: Since index inception through April 2, 2020. Sources: Bloomberg; GSAM. Stocks are represented by the S&P 500 Index, an unmanaged index that is generally considered representative of the US stock market. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

## Target Date Funds 'smooth out' the returns

A Target Date Fund is designed to balance your risk and return - whatever the market conditions are like. During certain periods of time, you may see fewer declines in your Target Date Fund compared to the S&P 500. On the flip side, during up markets, your Target Date Fund may not grow as quickly as the S&P 500. Target Date Funds help smooth out your returns and may even produce better outcomes over the long-term.



Bonds: Bloomberg Barclays U.S. Aggregate Index. Data Source: Morningstar, Inc. as of 3/31/2020.

## Bottom Line

When investing gets rough, avoid making any sudden changes to your retirement portfolio. Instead, it is important to remember the following:

**Focus on the long term:** Keep in mind your retirement strategy and the number of years you have until you retire. Typically, long-term investors have time to wait for the market to recover. Patience, not panic, should be your guiding principle. Avoid the temptation to react to short-term market fluctuations or attempts to "time the markets".

**Consider Increasing your Contribution:** Investment returns and how much you are saving are two factors that can impact your retirement goals: Although you cannot control the return on your investment, you have control over how much and how often you choose to save. Take this time to assess your progress in reaching your retirement goals.

**While it is always smart to periodically review your retirement goals and investments, you will find your Target Date Fund investment may not need further intervention, in times of market stress.**

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